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SUBJECT: AMBASSADOR KAUZLARICH ENGAGES WITH TURKS ON
NATIONAL INTELLIGENCE COUNCIL'S 2020 REPORT, EU ACCESSION
AND TURKEY'S ECONOMY

REF: A. A. ANKARA 05896

[¶](#)B. B. ANKARA 5891

Classified By: Political Counselor Janice G. Weiner for Reasons 1.4(b),
(d)

[¶](#)11. (C) SUMMARY: NIO/Europe, Ambassador Rich Kauzlarich,
presented the National Intelligence Council's 2020 report on
October 9 at a high-powered conference in Ankara. In
separate meetings, he heard from the current Central Bank
governor that Turkey's economic fundamentals are strong, and
from the bank's former governor that some worrying areas
remain. The MFA's Deputy Undersecretary Apakan said that
Turkey will find a way to make things work with the EU, even

in the face of tensions heightened by the French Armenian
genocide bill. At a dinner hosted by the DCM, Ambassador
Kauzlarich heard about frustrations with the EU and some
soul-searching by the ruling Justice and Development Party
(AKP); despite the diversity of the group, participants
unanimously believed that there will be an independent
Kurdistan in northern Iraq. Energy meetings were reported
separately in reftel A. END SUMMARY.

ASAM CONFERENCE: STRATEGIC FORESIGHT 2023

[¶](#)12. (U) Ambassador Kauzlarich spoke at the Center for Eurasian
Strategic Studies' (ASAM) five-day symposium entitled
"Strategic Foresight: The World and Turkey in the 100th
Anniversary of the Republic in 2023". Retired generals,
former ministers, deputies, bureaucrats, and diplomats
attended the October 9 first session; front-rowers included
keynote speaker President Ahmet Necdet Sezer, NSC Secretary
General Alpogan, ASAM Executive Board President General
(ret.) Edip Baser, and surprise attendee former "President"
of the "Turkish Republic of Northern Cyprus" Rauf Denktash.

[¶](#)13. (SBU) While it proved ambitious for participants to
project 17 years forward, especially on big-picture political
developments, the conference is the first of its kind in
Turkey and earned high marks for its scope and vision. Some
attendees appeared disgruntled by the presence of so many
retired generals, a predominance perhaps attributable to the
central role the military has played and will continue to
play in shaping Turkey's future.

[¶](#)14. (SBU) In a backhanded jab at the pro-Islam AKP's education

policies that have allowed Koran courses to flourish, President Sezer's speech concentrated on the importance of a "scientific" basis for education, which should "reflect the requirements of modernism." Turkey's future can only be guaranteed by generations who have learned to think freely and give prominence to science and reason, Sezer said. In the next two decades, Turkey has the potential to become one of ten biggest economies in the world, Sezer noted, adding that Turkey's position in the east-west and north-south energy corridors is an indispensable part of strategic foresight.

¶ 15. (U) Sezer's message was echoed by ASAM president and retired ambassador to the US Faruk Logoglu, who noted that the basic pillar of civilization is secularism. In his remarks, former ambassador Yaman Baskut projected that Turkey's population would reach 89 million by 2023. He also took up Sezer's education theme, calling for an increase in primary education to 12 years and for the abolition of private courses in preparation for the university entrance exam.

¶ 16. (SBU) Ambassador Kauzlarich's presentation of the National Intelligence Council's 2020 report generated a good exchange of views, particularly the Report's fictional scenario entitled "The New Caliphate". Former State Minister and current Palestine Coordinator Vehbi Dincerler said that the caliphate is not an empowered position and it was dangerous to imply otherwise. One comment, roundly applauded by the audience, raised three points that illustrate a widely-held view of Turkish-American relations: Turkey will concede not one inch of territory in the southeast; Turkey will not stand by while the United States provides weapons to terrorists; and is the United States Turkey's friend or not?

ECONOMIC MEETINGS: FUNDAMENTALS STRONG, BUT CAUSE FOR CONCERN

¶ 17. (SBU) On Turkey's economy, Central Bank Governor Durmus Yilmaz acknowledged political risks related to the upcoming elections and EU accession, but said fundamentals were much stronger than before the 2001 crisis. This was demonstrated by the economy's ability to weather the May-June global emerging market turbulence. Still, Turkey is exposed to global investors' tendency not to differentiate among emerging markets. Yilmaz was confident that despite the current inflation uptick, the Bank would achieve its 4 percent inflation target no later than the first quarter of ¶ 2008. He saw no signs "as of today" of weakening fiscal discipline. Yilmaz and his deputy Erdem Basci described Turkey's medium term challenges as job creation, managing agricultural modernization, and increasing regional growth. They called the EU process an anchor of Turkey's reforms, but said such reforms were needed for their own sake. Given its aging populations, they felt the EU needed Turkey as much as or more than Turkey needed the EU.

¶ 18. (C) In a separate meeting, former Central Bank Governor Sureyya Serdengecti lamented the persistence of statist, anti-privatization thinking in Turkey, claiming that it comes from the political left wing. Serdengecti was careful not to criticize his successor but said Central Bank independence is still an issue. The appointment process for his successor had been badly handled, he said, and the Bank has yet to fully restore its credibility. With elections on the way, Serdengecti wondered about the continuation of fiscal discipline. He also said municipal-level investment was not transparent and said no one knows how all the municipal projects are being financed. He noted the increase in Foreign Direct Investment, in part due to the EU anchor, and stressed the importance of the EU accession process as opposed to actual membership.

¶ 9. (C) MFA Deputy Undersecretary Ertugrul Apakan dismissed the train wreck scenario by claiming the metaphor was incorrect: Turkey's ship is sailing toward the EU. He claimed that screening activities were progressing well. Speaking the day before the French vote on the Armenian genocide bill (reftel B), Apakan stated that a positive vote would hurt the people and create tensions. However, "we will find ways," he said, to bypass problems in order to keep moving forward.

¶ 11. (C) On Cyprus, Apakan said that Turkey has asked the UN to keep the components of the Annan plan on the table. Ankara supports the technical committees, which are making good progress, and working groups on practical issues as a way to lead to tangible results. The GOT has told EU Enlargement Commissioner Rehn and the Finns that Ankara stands ready to discuss their package, Apakan said. The GOT is not ready to accept everything but will approach discussions constructively. The Turks need to see genuine, unhindered, direct trade and direct flights into Northern Cyprus, he explained, and Varosha needs to be discussed as part of a comprehensive settlement. Apakan emphasized Turkey's sincere appreciation for the continuing support of the USG and President Bush.

¶ 12. (C) Apakan stated that there should be a positive agenda between Turkey and the US; there is already much overlap. Turkey's relations with the EU will complement its relations with the US. Turkey can bring a greater strategic dimension to the EU-Turkey-US triangle because of its strategic relationship with the US. He said there is a need to develop more cultural exchanges with the US, more investment in Turkey, more university exchanges. He said that the relationship needs to keep growing on both sides, not just militarily, but also culturally, economically, and in terms of people-to-people relationships.

¶ 13. (C) On regional issues, Apakan told Ambassador Kauzlarich that more diplomacy is needed to resolve the stand-off with Iran. Turkey's message to Iran (and to Syria) is to comply with the international community's demands and act with common sense, wisdom, and genuine dialogue, Apakan said.

"They are in our neighborhood; we suffer if they make a mistake." Turkey is in line with the USG and the EU on Lebanon and is working for a unified, democratic, secure Iraq. Moving to Russia, Apakan noted that Turkey's bilateral relationship is expanding and moving toward more of a partnership.

DCM'S IFTAR DINNER

¶ 14. (C) At an October 10 Ramadan break-fast dinner, hosted by the DCM, guests from various parties, the media and academia engaged in a lively political debate. Mehmet Ali Bayar, the self-described "internal opposition" within the center-right True Path Party (DYP), argued forcefully that membership in the European Union is beside the point; the process absolutely must continue, but the end result is irrelevant. AKP Eskisehir deputy and Chairman of the Turkish delegation to the European Council Parliamentarians Assembly, Murat Mercan, recently returned from lobbying in Strasbourg, opined that the European Commission would postpone its report, now expected out on November 8, until December. He expressed dismay and puzzlement that national capitals continue to push the Armenian genocide issue.

¶ 15. (C) Mercan made some observations about the internal debate going on within AKP that were received with skepticism by other guests. He argued that despite its many mistakes in power, AKP had learned from the errors of the "Erbakan period" of the 1970s and 1980s. At that time, the movement had been too extreme and had tried to cultivate social

revolutionaries. Today, by contrast, the AKP had a less ideological view of the world. He indicated that parliamentary speaker Bulent Arinc was not a good spokesman for AKP because he was too inward-looking. He also observed that youth today -- even religious youth -- are more individually-focused and less oriented by belonging to groups than previous generations. At one point, Nuzhet Kandemir, the DYP vice chairman, pointedly reminded Mercan that AKP does not hold a monopoly on religion.

¶16. (C) In two areas there was clear agreement among the guests, one relating to Northern Iraq and the second to Turkey's internal struggle with "fundamentalism." Participants were united and vocal in stating that there will be an independent Kurdistan. US denials of such a plan were either because the USG is wearing blinders or because the USG is lying. On the home front, the guests agreed that Turkey's "fundamentalism vice secularism" debate has become so volatile that it is difficult to even discuss moderate compromises that might allow giving more prominence to religion and personal piety within the secular state. The positions on both sides had become too entrenched for real dialogue.

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